



Office of Audits  
Office of Inspector General  
U.S. General Services Administration

# Procurement and Contract Administration Issues at the PBS Heartland Region Iowa Field Office and Contract Services Branch

*Report Number A130005/P/6/R15006*  
*March 31, 2015*



Office of Audits  
Office of Inspector General  
U.S. General Services Administration

**REPORT ABSTRACT**

**OBJECTIVE**

Our objective was to determine whether the Public Buildings Service (PBS) Heartland Region Iowa Field Office and Contract Services Branch followed appropriate procurement laws, policies, and regulations for ordering and accepting goods and services.

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**Procurement and Contract Administration Issues at the PBS Heartland Region Iowa Field Office and Contract Services Branch**

*Report Number A130005/P/6/R15006*

*March 31, 2015*

**WHAT WE FOUND**

Finding 1 – PBS purchase card procurements violated procurement policies and regulations.

Finding 2 – PBS service orders and construction orders did not comply with procurement regulations.

Finding 3 – Regional custodial contract pricing and administration is not fully supported.

Finding 4 – Significant differences exist between proposed and actual staffing levels for the Des Moines operations and maintenance (O&M) contract, and recorded productivity levels are less than anticipated.

Finding 5 – PBS did not properly evaluate additional services procured through the Des Moines O&M contract.

Finding 6 – O&M repair and replacement terms should be simplified, and PBS should lower the Des Moines O&M management fee on material handling and subcontractor management.

**WHAT WE RECOMMEND**

We recommend that the Director, Acquisition Management Division, and Director, Service Centers Division, Heartland Region:

1. Develop and implement policies and procedures to ensure adherence to established procurement laws and regulations.
2. Review and document the price reasonableness of all above-standard line item pricing for a regional custodial services contract.
3. Renegotiate pricing for the remaining option years of the Des Moines O&M contract to reflect actual staffing and productivity levels.
4. Establish controls for the Des Moines O&M contract to ensure that GSA is not reimbursing the contractor for performing the same work under both the basic and additional services provisions of the contract.
5. Revise the terms and conditions of O&M contracts to simplify the repair and replacement cost responsibilities, and reduce the O&M contract fee related to materials and subcontract administration (for the Des Moines contract).

**MANAGEMENT COMMENTS**

The PBS Heartland Region Director, Acquisition Management Division, and Director, Service Centers Division, concurred with our recommendations. Management's comments can be found in their entirety in **Appendix B**.



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**Office of Audits  
Office of Inspector General  
U.S. General Services Administration**

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DATE: March 31, 2015

TO: Courtney Springer  
Director, Acquisition Management Division (6PQ)

Timothy Pfohl  
Director, Service Centers Division (6PS)

FROM:   
Michael J. Capper  
Audit Manager, Heartland Region Audit Office (JA-6)

SUBJECT: Procurement and Contract Administration Issues at the PBS  
Heartland Region Iowa Field Office and Contract Services Branch  
*Report Number A130005/P/6/R15006*

This report presents the results of our audit of the PBS Heartland Region Iowa Field Office and Contract Services Branch. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the audit resolution process can be found in the email that transmitted this report.

Your written comments to the draft report are included in **Appendix B** of this report.

If you have any questions regarding this report, please contact me or the Auditor-In-Charge at the following:

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I would like to thank you and your staff for your assistance during this audit.

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## ***Introduction***

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Public Buildings Service (PBS) service centers and field offices, located throughout the country, have the responsibility for assuring that tenant needs are met efficiently and economically in federally-owned buildings. This responsibility includes the operation, maintenance, repair, alteration, and improvement of GSA-controlled space. The Iowa Field Office manages approximately 1.1 million square feet of space in six federally-owned buildings and approximately 500,000 square feet of space in 73 leased spaces throughout the state.

Currently, the majority of all regional and field office acquisition is conducted by PBS Heartland Region Acquisition Management Division Contract Services Branch personnel. Contracting officials procure goods and services through various methods, including the use of delivery orders issued under established contracts, competitive procurements, and purchase cards. However, during the period under review, Iowa Field Office personnel conducted all procurements under the simplified acquisition threshold of \$150,000.

### **Objective**

Our objective was to determine whether the PBS Heartland Region Iowa Field Office and Contract Services Branch followed appropriate procurement laws, policies, and regulations for ordering and accepting goods and services.

See **Appendix A** – Purpose, Scope, and Methodology for additional details.

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## Results

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### Finding 1 – PBS purchase card procurements violated procurement policies and regulations.

Supporting documentation for 90 percent of purchase card transactions we reviewed was incomplete. In accordance with Federal Acquisition Regulation (FAR) and GSA Order CFO 4200.1A, cardholders must ensure supporting documentation of individual transactions (such as pre-authorizations, price reasonableness, invoices, and receipts) is received and files containing this supporting information are maintained.

We reviewed documentation relating to 268 of 708 (38 percent) procurements that Iowa Field Office personnel paid for with the purchase card during the period October 2011 through June 2013. Review of sampled purchase card transactions determined that cardholders kept some form of record of their purchases and reconciled monthly purchase card statements. However, supporting documentation was inadequate for 90 percent of the transactions we reviewed. We identified the following issues:

- For 114 transactions, the required prior approvals were not always evident. For 70 of these transactions, the services or supplies had already been obtained prior to the approval of the procurement. Pre-authorization of purchases should be documented prior to the actual procurement of goods and services. By not following proper procedures, goods and services may be purchased without ensuring adequate funding and approval for official business use.
- For 202 transactions, the basis for the determination of fair and reasonable pricing was not evident or the reasoning was faulty. For example, 105 transactions indicated price reasonableness was based upon “Comparison of proposed price w/price of previous purchase.” Comparing a proposed price to a similar previously paid price would be an acceptable basis if the GSA-R6-2010<sup>1</sup> notated the last award information and the previous award had proper documentation indicating that the pricing was fair and reasonable. However, the box providing the previous purchase information (*i.e.*, vendor name, price, and quantity) for the 105 transactions was left blank.
- For 91 transactions over \$75, there was no evidence of inspection/acceptance of goods and services by someone other than the purchase cardholder. This is a high risk area for the government especially when there is no indication of separation of duties (*i.e.*, the same person is procuring and receiving goods).

Although we did not find evidence of fraud, the lack of these controls creates an environment where fraudulent or improper purchases could go undetected. When these

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<sup>1</sup> GSA-R6-2010 (Purchase Tabulation Source List/Abstract) documents the simplified acquisition process notating the availability of funds and review by approving officials.

controls are in place, they help to ensure that the purchases are for legitimate purposes and that the government is not being overcharged.

## **Finding 2 – PBS service orders and construction orders did not comply with procurement regulations.**

The documentation for all 25 sampled construction and service orders did not comply with FAR and internal GSA policy requirements. Our review identified multiple deficiencies including:

- 12 orders totaling \$591,351 had inadequate support for fair and reasonable price determinations. Orders procured under the authorities of FAR Part 13 and 15 should document the files that proposed pricing is fair and reasonable.
- 8 orders totaling \$482,950 were placed under FAR Part 15, Contracting by Negotiation authority; however, the contract files lacked documentation supporting the negotiation of prices and related scopes of work.
- 5 orders totaling \$422,414 did not sufficiently document the final source selection as to why the vendor was selected for award. Three of these orders appear to be sole sourced without a justification.<sup>2</sup> FAR Subpart 4.8, Parts 13 and 15 require that contract files clearly document results of source selection and ultimately the final decision of awardee.
- 12 orders totaling \$637,636 had inadequate documentation of wage compliance for construction orders or construction labor rates that were below the rates required under the Davis-Bacon Act. In accordance with FAR 22.406, contracting officers shall check compliance with labor standards requirements through examination of payroll records or employee interviews. For example, there were two instances noted where the prevailing wages were lower than local prevailing wages. While not a large monetary difference, this is an example of where follow-up labor interviews would be beneficial.
- We found numerous orders where lack of separation of duties among Iowa Field Office personnel existed. GSA Order APD P 2800.14 states PBS procedures require two signatures certifying receipt and acceptance. The first certifier on the GSA Form 3025<sup>3</sup> should be the individual who actually inspects the services and the second certifier should be the contracting/ordering officer or a designated representative. The Iowa Field Office also uses the GSA Form 220<sup>4</sup> for all orders. While the majority of orders had a Form 220 in the contract file, the first signature on the Form 3025 was the contracting officer, not the individual who actually received the goods or services. Also, we found several orders where a

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<sup>2</sup> FAR 6.3 requires a justification for sole source transactions.

<sup>3</sup> GSA Form 3025 (Receiving Report) documents the certification of receipt and acceptance.

<sup>4</sup> GSA Form 220 (Inspection Report on Work under Contract), while mainly used for construction projects, documents the inspection performed for services received.

Form 220 was not in the file or a discrepancy existed (e.g., unsupported dates) between the Form 220 and Form 3025 contents.

Other documentation deficiencies included missing or incomplete GSA Form 49s,<sup>5</sup> missing contractor responsibility checks, incomplete scope of work information, drawings not incorporated into orders, incomplete contractor proposals, and no required FedBizOpps postings for actions exceeding \$25,000.

As a result, these procurements violated applicable policies and regulations and may not have resulted in fair and reasonable prices.

**Finding 3 – Regional custodial contract pricing and administration is not fully supported.**

The Iowa Field Office could not provide documentation to support that the government received all contracted requirements under the Des Moines custodial contract. In addition, the awarded pricing for some Des Moines custodial contract line items was not supported by a proper analysis and may be overstated.

Section H.16 (Recording Presence) of the Des Moines custodial contract requires that each contract employee must sign-in when reporting for duty and sign-out when leaving at the end of the workday. The GSA Form 139<sup>6</sup> is used for this purpose. Our analysis of GSA Form 139s completed in May and June 2013, found that some of the custodial contractor personnel failed to record their presence at Des Moines federal buildings. Iowa Field Office officials acknowledged this was an error and indicated that they would take corrective action. Without the appropriate records documenting the on-site presence of contractor personnel, GSA cannot ensure that this contract requirement is being met.

In addition, while the price analysis in the Des Moines custodial contract file addressed the pricing of monthly services, it did not include an analysis of above-standard line item pricing included in the contract. Also, because the independent government estimate did not include all above-standard line item pricing, the file did not include support that pricing for above-standard services was fair and reasonable. For example, there was no price support for above-standard services such as window washing, carpet shampooing, trash pickup, and snow removal.

**Finding 4 – Significant differences exist between proposed and actual staffing levels for the Des Moines operations and maintenance (O&M) contract, and recorded productivity levels are less than anticipated.**

The Des Moines O&M contract requires O&M staff to document all hours worked in the

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<sup>5</sup> GSA Form 49 (Requisition/Procurement Request for Equipment, Supplies or Services) documents the availability of funds and review by approving officials.

<sup>6</sup> GSA Form 139 (Record of Time of Arrival and Departure from Building) is required of contractor personnel.

computerized maintenance management system. In addition, this O&M contract was awarded based on the number of O&M staff to be present during prescribed hours.

The O&M contractor's original offer for work at the Des Moines federal buildings included a staffing plan of eight personnel working 69.5 total hours per day (about 8.7 hours per day per person). GSA accepted this offer on January 20, 2011. Our analysis of the GSA Form 139s during May 1, 2013, through March 31, 2014 (229 working days), showed that on average the O&M contractor staff worked 55 hours per day with a staff of six personnel (about 9.2 hours per day per person). Further analysis of the same forms covering the period November 12, 2013, through March 31, 2014, during which two key contractor personnel resigned, reflected that on average the O&M contractor staff worked 48 hours per day with a staff of five (about 9.6 hours per day per person). Iowa Field Office personnel documented the staffing shortages and the O&M contractor acknowledged the staffing vacancies.

We also identified significant variances between the Des Moines O&M's recorded productive hours<sup>7</sup> and total hours worked as recorded on the GSA Form 139s. Less than 33 percent of the Des Moines O&M staff time at the federal facilities is productive time. Conversely, we found that the Cedar Rapids O&M contractor recorded 60 percent productive time.

There are many factors to consider regarding productivity, such as personnel not recording all work orders performed and reductions in service calls or preventive maintenance. However, given the low level of productivity recorded, PBS should evaluate productivity and staffing issues to ensure that the contract is producing the best value. If work can be successfully performed with fewer employees, the government could save \$2.6 million over the remaining years of the Des Moines O&M contract.

**Finding 5 – PBS did not properly evaluate additional services procured through the Des Moines O&M contract.**

PBS may not have received fair and reasonable pricing for additional services purchased from a contractor because PBS staff failed to comply with applicable procurement laws and regulations.

The Des Moines O&M contract defines additional services as work related to, but not covered under, the basic services included in the offeror's overall pricing. These additional services include all labor, supervision, supplies, and materials needed. The contract requires the contracting officer to issue a separate delivery order before work may proceed.

Our review of additional services purchased under the Des Moines O&M contract identified the following concerns:

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<sup>7</sup> Productive time is defined as work orders (*i.e.*, preventive maintenance, service calls, miscellaneous hours, etc.).

- 50 orders totaling \$134,233 for additional services (e.g., painting, moving, installation) at the Des Moines federal buildings did not have support in accordance with FAR 8.4 showing that it was in the government's best interest to use the O&M contractor in lieu of other potential sources.
- 43 orders totaling \$101,348 did not document that the O&M contractor's pricing was fair and reasonable, and transaction file documentation did not include any evaluation or negotiation of pricing. While the O&M blanket purchase agreement hourly rates were determined to be fair and reasonable, when procuring officials decide to use the O&M contract for additional repairs or services, the level of effort should be considered and negotiated.
- On 2 orders totaling \$30,039 the O&M contractor solicited two or less subcontractor bids. PBS accepted the proposed costs without any other supporting information to ensure fair and reasonable pricing. The O&M contract language states standard FAR contracting rules shall be applied for repair or replacement cost exceeding \$10,000. FAR 8.405 requires quotations from at least three contractors or documenting the circumstances for restrictions.
- 20 orders were entirely subcontracted by the O&M contractor. PBS could have saved approximately \$9,156 by contracting directly with subcontractors instead of paying a 13 percent O&M markup fee.
- 12 orders totaling \$61,404 for construction related work did not contain payroll/labor documentation to ensure compliance with the Davis-Bacon Act. The Davis-Bacon Act applies to contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings. None of the construction related orders contained documentation of local prevailing wage rates to ensure compliance.

Finally, PBS officials could not demonstrate that some additional services were not duplicative of the basic O&M contract requirements. For example, of the 29 orders that O&M personnel provided additional labor hours, only 2 orders had documentation in the file supporting the additional hours charged. Without verification of additional labor hours being charged by the O&M contractor, the government may have paid for labor hours twice; once through basic O&M services required under the contract and again through payments for additional services.

**Finding 6 – O&M repair and replacement terms should be simplified, and PBS should lower the Des Moines O&M management fee on material handling and subcontractor management.**

Repair and replacement cost responsibilities under the O&M contracts need clarification. Also, PBS could save money by lowering the Des Moines O&M management fee on material handling and subcontractor management.

The O&M contracts include a Maintenance Repair Services line item specifically related to repair and replacement costs of building systems and equipment. PBS pays the total amount for maintenance repair upon the award of the O&M contract. Using these funds, the O&M contractor accepts the responsibility for all repairs costing up to \$10,000 per repair for the O&M contract period. The O&M contract also includes an overall Annual Repair limit that the O&M contractor incurs for repairs and replacements. The annual repair amount for the Des Moines O&M contract is \$48,000. PBS officials stated they strive to ensure that GSA uses all of the Annual Repair money as it is automatically included in the monthly payment to the O&M contractor and is paid to the contractor whether or not repairs are needed. Once the Annual Repair limit is reached, GSA is responsible for funding additional repair and replacement costs.

Because GSA is paying the Annual Repair amount as part of the monthly payment rather than as services are performed, there is no assurance that GSA will benefit from the money being spent. As such, it is questionable whether these payments are in the best interest of the government. The GSA National O&M Specification defines that payments for additional services are made on a case-by-case basis. The government could also achieve fair and reasonable pricing by separately procuring additional services as needed. Incorporating and strengthening the GSA National O&M Specification language could simplify the repair and replacement provisions of the O&M contracts.

In addition, the O&M contracts include provisions for O&M management fees on material handling and subcontractor management. While the price analysis for the Des Moines O&M contract states that the proposed 13 percent fee was within the range of the other offers, we found that other O&M contractors in Iowa use a 10 percent fee.

## **Recommendations**

We recommend that the Director, Acquisition Management Division, and Director, Service Centers Division, Heartland Region:

1. Develop and implement policies and procedures to ensure adherence to established procurement laws and regulations, specifically:
  - a. Funding authorization and approval is obtained before work is performed;
  - b. Prices are fair and reasonable and price determinations are properly documented;
  - c. Controls are implemented to ensure that field office procurements are distributed among qualified vendors;
  - d. Appropriate wage compliance procedures are properly documented; and

- e. Controls are implemented to ensure the separation of duties between ordering and receiving goods and services is enforced.
2. Review and document the price reasonableness of all above-standard line item pricing for a regional custodial services contract.
3. Renegotiate pricing for the remaining option years of the Des Moines O&M contract to reflect actual staffing and productivity levels.
4. Establish controls for the Des Moines O&M contract to ensure that GSA is not reimbursing the contractor for performing the same work under both the basic and additional services provisions of the contract.
5. Revise the terms and conditions of O&M contracts to simplify the repair and replacement cost responsibilities, and reduce the O&M contract fee related to materials and subcontract administration (for the Des Moines contract).

### **Management Comments**

The PBS Heartland Region Director, Acquisition Management Division, and Director, Service Centers Division, concurred with our recommendations. Management's written comments to the draft report are included in their entirety as **Appendix B**.

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## ***Conclusion***

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The PBS Heartland Region Iowa Field Office and Contract Services Branch did not always follow appropriate procurement laws, policies, and regulations for ordering and accepting goods and services. We found multiple procurement and contract administration issues at the Iowa Field Office and Contract Services Branch. We also identified issues with purchase card transactions, service and construction orders, and custodial and O&M contracts. To prevent these issues in the future, PBS must establish and implement management controls to improve awareness of, and adherence to, procurement regulations and policy. Although we did not uncover any improper purchases, the lack of these controls creates an environment where fraudulent or improper purchases could occur.

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## **Appendix A – Purpose, Scope, and Methodology**

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### **Purpose**

The GSA Office of Inspector General Fiscal Year 2013 Audit Plan included regional audits to examine the economy and efficiency of Property Management Service Centers' procurements.

### **Scope and Methodology**

This audit primarily focused on procurements related to three federally-owned buildings<sup>8</sup> during fiscal years 2012 and 2013 (through June 30, 2013).

To accomplish our objective, we:

- Reviewed relevant criteria, including the FAR, General Services Administration Acquisition Manual, Davis-Bacon Act, GSA Orders CFO 4200.1A and APD P 2800.14, and PBS Procurement Information Bulletins and memorandums;
- Interviewed personnel who procure and accept goods and services, including contracting officers and employees who have government purchase cards;
- Reconciled 268 credit card transactions to supporting documentation maintained by the cardholders. The transactions totaled \$493,812, which represented 79 percent of the total Iowa Field Office credit card purchases for the audit period;
- Examined documentation relating to 25 service and construction orders totaling \$1.1 million made by the Iowa Field Office. The \$1.1 million represented 54 percent of the total Iowa Field Office contracting obligations for the audit period;
- Reviewed two O&M services contracts, two custodial services contracts, and two elevator maintenance contracts. We also reviewed GSA Form 139s and security clearance information associated with these contracts;
- Reviewed a term construction contract;
- Reviewed the results of customer satisfaction surveys conducted in 2010, 2011, and 2012 for buildings managed by the Iowa Field Office; and
- Held discussions with the Iowa Field Office and Contract Service Branch officials.

We conducted the audit between April 2013 and August 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **Internal Controls**

We assessed the internal controls relevant to the selected procurements. We identified control weaknesses and provided recommendations to strengthen and improve the current practices.

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<sup>8</sup> The Neal Smith Federal Building, the Des Moines U.S. Courthouse, and the Cedar Rapids U.S. Courthouse.

## Appendix B – Management Comments



GSA Heartland Region, Kansas City

March 24, 2015

MEMORANDUM FOR: JOHN WALSH  
REGIONAL INSPECTOR GENERAL  
HEARTLAND FIELD AUDIT OFFICE (JA-6)

FROM:   
COURTNEY SPRINGER  
DIRECTOR, ACQUISITION MANAGEMENT DIVISION  
PUBLIC BUILDINGS SERVICES, HEARTLAND REGION  
GENERAL SERVICES ADMINISTRATION

  
TIMOTHY PFOHL  
DIRECTOR, SERVICE CENTERS DIVISION  
PUBLIC BUILDINGS SERVICES, HEARTLAND REGION  
GENERAL SERVICES ADMINISTRATION

SUBJECT: PROCUREMENT AND CONTRACT ADMINISTRATION ISSUES  
AT THE PBS HEARTLAND REGION IOWA FIELD OFFICE AND  
CONTRACT SERVICES BRANCH – REPORT NO. A130005

Thank you for your audit efforts and the resultant draft report, Report No. A130005. The report provides five recommendations around the contracting responsibilities within the Acquisition Management Division (AMD) and Service Centers Division. The General Services Administration (GSA), Public Buildings Service (PBS), Heartland Region (6P) supports these recommendations. Our solutions in response to these recommendations include procedural, contractual, and organizational changes, along with individual development and performance management efforts. Both prior to and during the audit we have been working on contract improvements; we will utilize the valuable data you have provided to address each recommendation as follows. We look forward to providing a full description of our response in the subsequent action plan.

1. *Develop and implement policies and procedures to ensure adherence to established procurement laws and regulations, specifically:*
  - a. *Funding authorization and approval is obtained before work is performed;*

In March 2013, the number of card holders within the Iowa field office was reduced from thirteen to two. Since then, the two FAC-C Warrant holders in Iowa, are the only Iowa associates that have cards and make purchases for our office. This internal control provides for more effective oversight of the purchase card program within the office.

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## Appendix B – Management Comments (cont.)

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Additionally, as a result of the initial audit recommendations, the Iowa field office established new internal approval procedures for all new requirements.

As an oversight measure and in response to the initial summary of audit findings, budget analysts are to notify the Contracting Officer's supervisor in instances where they are aware of funding authorization being requested after work has commenced or the contract action was executed. We will review each instance and require a corrective action as appropriate.

*b. Costs are fair and reasonable and the basis is properly documented;*

Upon review and discussion of preliminary audit findings, on January 29, 2014, the field office acquisition staff was provided a new template to more consistently comply with this requirement and document their price analysis, award decision, and price negotiations. Training was also provided to the field office acquisition staff on January 29, 2014. On March 2, 2014, prerecorded training and the template were delivered to all 6P field office management for distribution to their staff.

*c. Controls are implemented to ensure that field office procurements are distributed among qualified vendors;*

As a result of the audit, on September 19, 2014, the field office acquisition staff was provided a memorandum that stated, among other things, that in order to adhere to the requirements of FAR 13.1, the authority to solicit offers should be reserved for the contracting officer.

Upon review of our year-end contract award distribution, 6P AMD initiated an effort for a new multiple-award Indefinite Delivery, Indefinite Quantity (IDIQ) construction contract specifically for field office use. The acquisition plan for this procurement was approved on February 24, 2015. The contracts are scheduled to be awarded by July of this year. The new multiple-award IDIQ contract should provide a more efficient way to solicit offers from multiple, qualified vendors on a regular basis.

*d. Appropriate wage compliance procedures are properly documented; and*

AMD management concurs with the recommendation and will issue a memorandum to field office acquisition staff that specifies how the FAR 22.406-7 wage compliance procedures shall be documented in the contract file.

*e. Controls are implemented to ensure the separation of duties between ordering and receiving goods and services is enforced.*

## Appendix B – Management Comments (cont.)

– 3 –

The recent reorganization of the Office of Chief Financial Officer (OCFO) has provided a consistent internal control around the separation of duties recommendation. All budget analysts now verify that the contracting official is not receiving the goods or services.

2. *Review and document the reasonableness of all above standard line item pricing for a regional custodial services contract.*

We concur with the recommendation, and on January 26, 2015, the price reasonableness of all but one of the above standard line item pricing was documented for Contract GS06P10GXD0057. The remaining line item will either be renegotiated or removed from the contract.

3. *Renegotiate pricing for the remaining option years of the Des Moines O&M contract to reflect actual staffing and productivity levels.*

Based on the audit findings we have been involved in negotiations with the Des Moines O&M contractor. As a result of these negotiations, on February 27, 2015, contract modification PS08 was executed to reduce the Des Moines O&M contract price by more than \$85,500 per year. This equates to a savings of more than \$500,000 over the remaining term of the contract. We concur there may be additional opportunities to improve the Des Moines O&M contract pricing and will continue to pursue those.

4. *Establish controls for the Des Moines O&M contract to ensure that GSA is not reimbursing the contractor for performing the same work under both the basic and additional services provisions of the contract.*

We are in the process of testing new contract language to address this recommendation on future contract actions.

5. *Revise the terms and conditions of O&M contracts to simplify the repair and replacement cost responsibilities, and improve the O&M contract fee related to materials and subcontract administration (for the Des Moines contract).*

We concur with your recommendations and are testing options to improve the O&M contract language associated with repairs and replacements.

Although the O&M contract fee was properly determined fair and reasonable at the time of award, we concur there may be an opportunity to renegotiate this rate and will evaluate it in coordination with our response to recommendation No.3.

In addition to the responses above, 6P has made organizational changes that provide new, dedicated oversight for the field office acquisition and finance functions. Field office acquisition is now part of the 6P AMD and field office finance responsibilities are now part of the OCFO. Further, the acquisition program is performing annual reviews of the purchase card program and a sample of contract files for each contracting official in 6P. Lastly, on-going individual

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## Appendix B – Management Comments (cont.)

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– 4 –

development efforts and performance management are an important part of responding to the findings within the subject audit report and are underway.

We appreciate the GSA Office of Inspector General working closely with our contracting office during this audit. The recommendations contained in the audit report are being taken seriously and we are making changes to assure the issues encountered in this audit are minimized on future actions.

Thank you for allowing us the opportunity to comment on the draft report. If you have any questions, please do not hesitate to contact us at [courtney.springer@gsa.gov](mailto:courtney.springer@gsa.gov) and [timothy.pfohl@sqa.gov](mailto:timothy.pfohl@sqa.gov).

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## ***Appendix C – Report Distribution***

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Director, Acquisition Management Division (6PQ)

Director, Service Centers Division (6PS)

Regional Commissioner, PBS (6P)

Regional Administrator (6A)

Commissioner, PBS (P)

Deputy Commissioner, PBS (PD)

Chief of Staff, PBS (P)

Regional Counsel (LD6)

Chief Administrative Services Officer (H)

Branch Chief, GAO/IG Audit Response Branch (H1C)

Audit Liaison, PBS (BCPA)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)